THE INFLUENCE OF PRODUCT DIFFERENTIATION, PRODUCT INNOVATION, FACTOR OF CULTURAL, SOCIAL, PERSONAL AND PSYCHOLOGICAL ON PURCHASING DECISIONS (EMPIRICAL STUDY AT APRESIASI KREASI INDONESIA EXHIBITION)

Olivia Ribkah Datu Paseru1*; Ari Mulianta Ginting2
Universitas Pelita Harapan, Jakarta, Indonesia1,2
Email : oliviaribkah@gmail.com1*; ari.ginting@lecturer.uph.edu2

ABSTRACT

This research aims to determine whether product differentiation, product innovation, cultural, social, personal and psychological factors influence consumers' decisions to buy something. This case study uses a sample of visitors to the Indonesian Creation Appreciation exhibition in Samarinda and Surabaya. The model used for this research was 232 respondents. They come from the target population who visited the exhibition in Samarinda and Surabaya. Next, the Partial Least Square Structural Equation Modeling (PLS-SEM) approach provided by SmartPLS 3.0 was used to process and analyze the collected questionnaire data. The data processing results show that product differentiation, product innovation, and social, personal and psychological factors have a significant and positive influence on purchasing decisions. Purchasing decisions are not influenced by culture.

Keywords : Product Differentiation; Product Innovation; Cultural Factors; Social Factors; Personal Factors; Psychological Factors; Purchase Decisions.

ABSTRAK


Kata Kunci : Diferensiasi Produk; Inovasi Produk; Faktor Budaya; Faktor Sosial; Faktor Pribadi; Faktor Psikologis; Keputusan Pembelian

INTRODUCTION

Since April 2020, the MSME sector has been affected by the Covid pandemic, the negative impact felt by MSME players has resulted in them having to adapt to reducing employees and reducing sales channels (Bahtiar, 2021). Because MSMEs play a vital role in the national economy, one way the government tried to revive the
economy during the COVID-19 epidemic was to assist them in growing (Bahtiar, 2021). In line with improvements in health, the government believes that Indonesia's economy will bounce back in 2022 because the growth value of creative economy exports has experienced positive growth (Kementerian Pariwisata and Ekonomi Kreatif, 2021). According to the Directorate General of Customs and Excise (DJBC), the export value of the creative economy was US$ 23.9 billion in 2021, of which creative economy commodities contributed around 10% to national exports. According to data processing results in the Infographic report of Tourism and Creative Economy Macroeconomic Statistics data, Gross Domestic Product in Prevailing Prices (GDP ADHB) from 2018 to 2020 experienced a positive trend. Gross Domestic Product in Prevailing Prices shows the added value of goods and services obtained based on prices prevailing each year (Kementerian Pariwisata and Ekonomi Kreatif, 2021).

The positive trend of contribution from the creative economy subsector to GDP and to revive the efforts of creative actors, the Ministry of Tourism and Creative Economy launched Apresiasi Kreasi Indonesia exhibition in 2021. Apresiasi Kreasi Indonesia exhibition is a creative economy development program to improve the ability of creative economy actors from superior subsectors culinary, crafts, fashion, applications/games, films, and music. In line with the material given at the bootcamp session in the series of Apresiasi Kreasi Indonesia activities, several studies discuss marketing strategies and consumer behaviour that influence research decisions (Kementerian Pariwisata and Ekonomi Kreatif, 2023a). Marketing strategies discussed include product differentiation and product innovation. Consumer behaviour that influences consumer decisions includes factor of cultural, social, personal, factors and psychological factors.

Research by Jauhari (2020), Handayani et al., (2023), Astuti & Febriatmoko (2023), Fahreza & Sugiat (2022) and Febi et al., (2019) show that product differentiation influences purchasing decisions. Conversely, studies also state that product differentiation has no influence on purchasing decisions or research conducted.

Product innovation according to Jauhari (2020), Hasbullah (2022), Moputi et al., (2018), Aprilisyana (2022) states that product innovation influences purchasing decisions. In contrast, other studies claim that product innovation has no impact on purchase decisions. Research by Huandi (2020), Shelviana et al., (2019), Natanael
Adhim (2020), Hastari et al., (2021) states that cultural factors influence purchasing decisions. Instead research by Taini et al., (2021) and Adhim (2020) states that cultural factors do not have a significant influence on purchasing decisions.


Based on the foregoing, the author attempts to perform fresh research by altering the model utilizing factors from past research and selecting the Apresiasi Kreasi Indonesia exhibition. This object has never been studied before. The title chosen based on the above background is "The Influenced of Product Differentiation, Product Innovation, Cultural Factors, Social Factors, Personal Factors and Psychological Factors on Purchasing Decisions, an Empirical Study on the Apresiasi Kreasi Indonesia Exhibition. This study aims to determine how much influence product differentiation, product innovation, cultural factors, social factors, personal factors, and psychological factors on purchasing decisions. Purchasing decision is a person's purchasing behavior in determining a product choice to achieve satisfaction according to consumer needs and desires which includes problem recognition, information search, evaluation of alternative purchases, purchase decisions, and behavior after purchase (Andriyani, Y., & Zulkarnaen, W., 2017: 87).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The stages consumers face before making a purchase decisions are need recognition, information search, alternative evaluation, purchase decisions and post-
purchase behavior. Next is the literature review and hypothesis development of variables that influence purchasing decisions (Kotler & Keller, 2012).

**The Influence of Product Differentiation on Purchasing Decisions**

Product differentiation is defined as a product's distinctive behavior in order to produce high value from the perspective of customers (Kotler & Keller, 2012). Fahreza and Sugiat's (2022) research discovered that product differentiation has an impact on purchase decisions. According to Handayani et al. (2023), product differentiation influences purchasing decisions; the better product differentiation is done, the more customers will be interested in acquiring these things. Astuti and Febriatmoko (2023) discovered that product differentiation has a favorable and significant impact on purchase decisions. According to the study findings, the stronger the product differentiation, the more consumers there would be. According to studies, product differentiation positively influences consumer purchase decisions since customers are drawn to distinctive and diverse sorts of items. Another study that also states the influence of product differentiation on purchasing decisions is research conducted by research by Jauhari (2020) and (Febi et al., 2019). Based on the results of the above research, the following hypothesis can be formulated:

H1: Product differentiation has a positive influence on purchasing decisions.

**The Influence of Product Innovation on Purchasing Decisions**

Product innovation is the result of several processes that interact with one another. (Kotler & Keller, 2012). Based on research by Jauhari (2020) states that there is a positive and significant influence of product innovation variables on purchasing decisions. According to Moputi et al. (2018), product innovation has an impact on purchase decisions. According to Hasbullah (2022), product innovation has a favorable and substantial effect on purchase decisions. Aprilisyana (2022) did another study that demonstrates the impact of product innovation on purchase decisions. Based on the results of the above feeding research can be formulated hypotheses as follows:

H2: Product innovation has a positive influence on purchasing decisions.

**The Influence of Cultural Factors on Purchasing Decisions**

Cultural elements, which include culture, subculture, and social class, have a tremendous impact on everyone (Kotler & Keller, 2012). Culture has a significant impact on consumer purchasing (Kotler, 2012). According to Hastari et al. (2021),
Cultural influences have a considerable impact on purchase decisions, based on a study by Natanael (2020). Cultural characteristics impact purchase decisions strongly and continually, according to studies (Devina et al., 2021). Hudani (2020), Shelviana et al. (2019), Adhim (2020), and Hastari et al. (2021) did another study that found the effect of cultural influences on purchase decisions. Based on the results of the above research, the following hypothesis can be formulated:

H3: Cultural factors have a positive influence on purchasing decisions.

**The Influence of Social Factors on Purchasing Decisions**

Groups and networks, families, social status, and roles are among the social elements that influence consumer behavior (Kotler & Keller, 2012). The stronger the consumer's relationships with friends, family, and parents, the more likely they are to acquire (Adhim, 2020). According to Adhim's (2020) research, social variables impact purchase decisions. According to Natanael (2020), social component factors both support and impact purchase decisions. According to Hastari et al. (2021), social variables have a significant impact on purchase decisions. Shelviana et al. (2019) and Hastari et al. (2021) did another study that found the impact of social variables on purchase decisions. Based on the results of the above research, the following hypothesis can be formulated:

H4: Social factors have a positive influence on purchasing decisions.

**The Influence of Personal Factors on Purchasing Decisions**

Age, employment, economic situations, lifestyle, and self-concept are all personal characteristics that impact consumer behavior. Personal characteristics impact purchase decisions because they blend environmental forces with psychological order. The larger the buy, the more established a person's life is (Adhim, 2020). According to Natanael (2020), personal factor factors both support and impact purchase decisions. According to Adhim (2020), personal characteristics impact purchase decisions. According to Hastari et al. (2021), personal variables have a substantial effect on purchase decisions. Hudani (2020), Taini et al. (2021), and Shelviana et al. (2019) did another study that found the effect of personal aspects on purchase decisions. Based on the results of the above feeding research can be formulated hypotheses as follows:

H5: Personal factors have a positive influence on purchasing decisions.
The Influence of Psychological Factors on Purchasing Decisions

Motivation, perception, learning, and beliefs from attitudes are the four psychological influences on consumer behavior (Kotler & Keller, 2012). The more significant the effect on purchase decisions, the larger the motivation, perception, knowledge, and confidence. (Adhim, 2020). According to Hastari et al. (2021), psychological elements have a substantial effect on purchase decisions. According to Natanael (2020), psychological component factors both support and impact purchase decisions. According to Devina et al. (2021), psychological elements have a considerable and ongoing impact on purchase decisions. Veronica et al. (2022), Taini et al. (2021), and Shelviana et al. (2019) did another study that found the effect of psychological elements on purchase decisions. Based on the results of the above feeding research can be formulated hypotheses as follows:

H6: Psychological factors have a positive influence on purchasing decisions.

RESEARCH METHODS

The independent variables researched in this study are product differentiation, product innovation, cultural variables, social elements, personal characteristics, and psychological factors, whereas the dependent variable analyzed in purchasing decisions. Individuals who buy items at the Apresiasi Kreasi Indonesia show serve as the study's unit of analysis. This study also focuses on quantitative research by employing distinct units of analysis that are better suited for this subject. The study employed scale measures, with scale 1 strongly disagreeing, scale 2 disagreeing, scale 3 neutral, scale 4 agreeing, and scale 5 highly agreeing. Researchers employ non-probability sampling with purposeful sampling strategies. The sample consists of respondents aged 17 to 60 who attended the 2023 Apresiasi Kreasi Indonesia expo, which was held in Samarinda and Surabaya from June to September 2023. According to that, the number of samples should be 5 to 10 times the number of parameters or indicators to evaluate causal analysis, which attempts to assess the influence of independent variables on dependent variability using structural equation modeling (SEM) measuring tools. Based on the sample determination, the researcher sets a minimum sample size that is five times the total research indicators. According to the Hair approach stated in the previous method, the minimum number of respondents should be 115. However, the total number of questionnaires gathered was 232. PLS-SEM (Partial Least Squares - Structural...
Equation Model) is used in hypothesis testing in research to describe whether or not variables impact one other. PLS-SEM is extremely useful for academics since it enables them to estimate complicated models with several constructs, variables, and indicators. Researchers examined the effect of independent and dependent factors to test validity, reliability, and t-tests (Hair et al., 2022).

RESULTS OF RESEARCH AND DISCUSSION

Profile respondents based on gender, domicile, age group, occupation, income, education and promotion source from a total of 232 respondents who filled out questionnaires. Most respondents were women, as many as 136 people (59%), and the rest were men, as many as 96 people (41%). Based on domicile, as many as 114 people (48%) came from Samarinda City, and as many as 124 people (52%) came from Surabaya City. The age group of respondents was divided into four groups. The age group of 17-24 years was 103 people (44.4%), the age group of 25-30 years was 85 people (36.6%), the age group of 36-50 years was 38 people (16.4%) and the age group over 50 years was six people (2.6%). Most respondents work as civil servants, as many as 73 people (31.47%).

Respondents who worked as employees numbered 72 (31.03%), respondents who included students or students numbered 51 (21.98%), respondents who worked as entrepreneurs numbered 26 (11.21%), respondents who worked as homemakers numbered nine (3.88%), and respondents who did not work numbered one (0.43%). The income of respondents was separated into four categories—respondents with income less than Rp. 2,000,000 included 57 people (24.6%), respondents with income between Rp. 2,000,000 and Rp. 4,999,999 included 70 people (30.2%), respondents with income between Rp. 5,000,000 and Rp. 7,999,999 included 65 people (28%), and respondents with income greater than Rp. 8,000,000 included 40 people (17.2%). Respondents with High School Education comprised 43 people (18.5%), respondents with D3 Education comprised 47 people (20.3%), respondents with S1 Education comprised 117 people (50.4%), respondents with S2 Education comprised 21 people (9.1%), and respondents with S3 Education comprised four people (1.7%).

According to promotional sources about Apresiasi Kreasi Indonesia exhibition is divided into five choices of sources. Respondents with information sources from online media (Facebook, Instagram, Twitter, Youtube and Website) as many as 164 people
(70.7%), information sources from offline promotional media (Brochures, Pamphlets, Booklets, Flyers, Billboards, Billboards and Banners) as many as 21 people (9.1%), information sources from friends as many as 9 people (3.9%), information sources from colleagues as many as 22 people (9.5%) and information sources from family as many as 16 people (6.9%).

There are two types of validity tests: convergent and discriminant. According to Hair et al. (2022), convergent validity tests must consider AVE values and external loads. If the AVE value is at least 0.5 and the outside load has a value of more than 0.70, then the test can be considered valid. The calculation results show that each indicator belongs to the valid category because each of them shows a value weight greater than 0.7. The purchase decisions variable has an R-Square value of 0.639. This shows that the purchasing decisions variable is influenced simultaneously by all independent variables by 63.9%. The results found that purchasing decisions variables are influenced by product innovation, product differentiation, cultural factors, social factors, personal factors, and psychological factors. In contrast, other variables not included in the study accounted for 0.361 or 36.1% of the influence of the independent variable.

H1 is approved based on the calculation findings since the product differentiation variable has a statistical t value of 2.072, which is more than 1.65, implying that the product differentiation variable impacts purchasing choices. H2 is also accepted since, with a statistical t value larger than 1.65 for the product innovation variable, it may be stated that product innovation impacts purchasing choices.

H3 demonstrates the impact of cultural influences on purchase decisions. With a statistical t-value of 0.397, less than 1.65, the calculation findings demonstrated that cultural influences did not positively affect purchase decisions. As a result, cultural variables have little impact on buying decisions. H4 demonstrates that social variables impact purchase decisions favorably; the statistical t-value of social factors of 3

Testing the following hypothesis, H5 demonstrates that personal variables positively impact customer purchasing decisions; the statistical value of personal factors is 2.862, which is more than 1.65, implying that personal factors influence consumer purchasing decisions. H6 demonstrates that psychological elements positively affect customer purchase decisions. Psychological variables have a statistical t-value of 4.336, which is more than 1.65.
CONCLUSION

The study's findings allow for numerous inferences. Product uniqueness has a positive and significant impact on purchase decisions because customers choose items with distinguishing features over similar products. Consumers are particularly interested in items that have additional value and are new. Therefore, product innovation has a positive and substantial effect on purchase decisions. Societal values do not always influence consumer decisions. As a result, cultural variables have little impact on purchase decisions.

Because group influence is the primary concern for customers, social variables have a positive and considerable impact on their purchase decisions. Personal variables also have a positive and considerable impact on consumer purchase decisions since individual qualities can affect customer selections. Psychological elements, such as each buyer's motives and beliefs, also have a positive and significant effect on consumer purchase decisions.

Training on marketing techniques that depend on cultural factors, such as displaying elements of cultural icons, cultural symbols and traditions on advertising products owned by creative economy actors. Only seven variables were discussed in the study: product innovation, product differentiation, factor of cultural, social, personal and psychological that influence subsequent purchase decisions. Other variables influencing purchasing decisions, such as product quality, electronic means of payment, and social media promotion, may be added to future research. This study is not limited to the Apresiasi Kreasi Indonesia exhibition, but can be applied to other activities in various locations. In order to obtain more relevant information in the future, the number of question indicators for each variable also needs to be added.

BIBLIOGRAPHY


**GRAPHS, FIGURES AND TABLES**

**Diagram 1. Creative Economy Contribution to GDP**

Source: Ministry of Tourism and Creative Economy (2020)

**Diagram 2. Contribution of Creative Economy Subsector to GDP**

Source: Ministry of Tourism and Creative Economy (2020)
Research Model Picture
Source: Jauhari (2020) and Devina et al., (2021)

Coefficient Test Table

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing Decisions</td>
<td>0.639</td>
</tr>
</tbody>
</table>

Source: Data processed based on questionnaire (2023)

Hypothesis Test Table

<table>
<thead>
<tr>
<th>Hipotesis</th>
<th>Path Coefficient</th>
<th>T statistics</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Product Differentiation→Purchasing Decisions</td>
<td>0.139</td>
<td>2.072</td>
<td>0.019</td>
</tr>
<tr>
<td>H2: Product Innovation→Purchasing Decisions</td>
<td>0.176</td>
<td>2.464</td>
<td>0.007</td>
</tr>
<tr>
<td>H3: Cultural Factors→Purchasing Decisions</td>
<td>0.016</td>
<td>0.397</td>
<td>0.346</td>
</tr>
<tr>
<td>H4: Social Factors→Purchasing Decisions</td>
<td>0.234</td>
<td>3.394</td>
<td>0.000</td>
</tr>
<tr>
<td>H5: Personal Factors→Purchasing Decisions</td>
<td>0.192</td>
<td>2.862</td>
<td>0.000</td>
</tr>
<tr>
<td>H6: Psychological Factors→Purchasing Decisions</td>
<td>0.279</td>
<td>4.336</td>
<td>0.007</td>
</tr>
</tbody>
</table>

Source: data processed based on questionnaire (2023)